

January 12, 2001

Legislative Audit Commission
622 Stratton Office Building
Springfield, IL 62706

Dear Members:

In accordance with section 3-15 of the Illinois State Auditing Act (30 ILCS 5/3-15), I hereby submit the report on the operations of the Office of the Auditor General for the second quarter of Fiscal Year 2001, which ended December 31, 2000.

FISCAL MATTERS

<i>FY 2001 – SECOND QUARTER</i>				
	<i>Appropriation</i>	<i>Expended</i>	<i>Obligated</i>	<i>Balance</i>
Personal Services	\$ 3,622,617	\$ 1,568,259	\$ 0	\$ 2,054,358
Employee Retire. (Employer)	144,905	58,779	0	86,126
State Retirement	360,233	155,982	0	204,251
Social Security	277,130	115,210	0	161,920
Contractual Services	558,645	261,305	200,691	96,649
Travel	100,000	48,953	0	51,047
Commodities	25,000	3,426	0	21,574
Printing	20,000	9,864	0	10,136
Equipment	35,000	11,007	0	23,993
EDP	120,000	28,125	20,430	71,445
Telecommunications	85,000	23,968	0	61,032
Oper. of Auto. Equip.	5,000	551	0	4,449
Audits/Studies/Invest.*	<u>11,987,250</u>	<u>3,289,219</u>	<u>4,244,270</u>	<u>4,453,761</u>
TOTAL	<u>\$17,340,780</u>	<u>\$5,574,648</u>	<u>\$4,465,391</u>	<u>\$7,300,741</u>
*Audit Expense Fund				

PERSONNEL

<i>PERSONNEL</i>					
	<u><i>10-01-00</i></u>	<u><i>Appointments</i></u>	<u><i>Separations</i></u>	<u><i>Transfers</i></u>	<u><i>12-31-00</i></u>
Springfield	67	0	3	0	64
Chicago	<u>09</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>09</u>
TOTAL	76	0	3	0	73

CONTRACTS

During the second quarter of Fiscal Year 2001 the Office of the Auditor General entered into two financial/compliance audit contracts and one information systems contract.

TRAINING

Training for the second quarter of Fiscal Year 2001 included Accounting and Auditing Updates, Access - Using a Database, Data Analysis using Microsoft Access, IT Auditing, Performance Auditing Techniques for Staff Auditors and Sexual Harassment Prevention Training. Additional external training that staff participated in includes Assuring Program Integrity and Ethics in Government, Control and Security of the Internet, Excel 97 Worksheets, Excelling as a First Time Supervisor, Fundamentals and Practices of IS Auditing, Interviewing Techniques, Intrusion Audit - Following the Audit Trail, IS Auditing and System Development, Mistake Free Grammar and Proofreading, and Searching Public Records.

PERFORMANCE AUDITS

<i>PERFORMANCE AUDITS IN PROGRESS</i>
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<i>AUDITS</i>	<i>ESTIMATED RELEASE DATE</i>
<ul style="list-style-type: none">• Compliance and Management Audit of Chicago's Airports (PA 89-386)• Management Audit of Agencies Funding Regional Offices of Education (LAC No. 118)• Management Audit of Health Facilities Planning Board (PA 91-0782)• Management Audit of IEPA's Vehicle Emission Testing Program (LAC No. 119)• Audit of Distributions from the Municipal Economic Development Fund (PA 90-813)	Unknown Spring 2001 Summer 2001 Spring/Summer 2001 Summer 2001

FINANCIAL & COMPLIANCE AUDITS

The following is a listing of financial and compliance audits for the period ending June 30, 2000. As the year progresses the "date released" column will be completed.

<i>FINANCIAL & COMPLIANCE AUDITS FOR THE PERIOD ENDING JUNE 30, 2000</i>

F = Financial

C = Compliance

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Attorney General			
Capital Development Board			
Chicago State University			
Chicago State University Foundation			

FINANCIAL & COMPLIANCE AUDITS (Continued)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Comptroller – Fiscal Officer			
Comptroller – Non-Fiscal Officer			
Department on Aging			
Department of Agriculture (DuQuoin Fair)			
Department of Agriculture (IL State Fair)			
Department of Central Management Services			
Department of Central Management Services (Deferred Compensation Plan)			
Department of Children and Family Services			
Department of Commerce and Community Affairs			
Department of Corrections – General Office			
Dept.of Corrections, Correctional Center - <i>Big Muddy River</i>			
Dept. of Corrections, Correctional Center – <i>Centralia</i>			
Dept. of Corrections, Correctional Center – <i>Danville</i>			
Dept. of Corrections, Correctional Center - <i>Decatur Womens</i>			
Dept. of Corrections, Correctional Center – <i>Dixon</i>			
Dept. of Corrections, Correctional Center - <i>Dwight</i>			
Dept. of Corrections, Correctional Center - <i>East Moline</i>			
Dept. of Corrections, Correctional Center – <i>Graham</i>			
Dept. of Corrections, Correctional Center – <i>Hill</i>			
Dept. of Corrections, Correctional Center - <i>IL River (Canton)</i>			
Dept. of Corrections, Correctional Center – <i>Jacksonville</i>			
Dept. of Corrections, Correctional Center – <i>Joliet</i>			
Dept. of Corrections, Correctional Center – <i>Lincoln</i>			
Dept. of Corrections, Correctional Center – <i>Logan</i>			
Dept. of Corrections, Correctional Center – <i>Menard</i>			
Dept. of Corrections, Correctional Center – <i>Pinckneyville</i>			
Dept. of Corrections, Correctional Center – <i>Pontiac</i>			
Dept. of Corrections, Correctional Center – <i>Robinson</i>			
Dept. of Corrections, Correctional Center – <i>Shawnee</i>			

FINANCIAL & COMPLIANCE AUDITS (Continued)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Dept. of Corrections, Correctional Center – <i>Sheridan</i>			
Dept. of Corrections, Correctional Center - <i>Southwestern IL</i>			
Dept. of Corrections, Correctional Center – <i>Stateville</i>			
Dept. of Corrections, Correctional Center – <i>Tamms</i>			
Dept. of Corrections, Correctional Center – <i>Taylorville</i>			
Dept. of Corrections, Correctional Center – <i>Vandalia</i>			
Dept. of Corrections, Correctional Center – <i>Vienna</i>			
Dept. of Corrections, Correctional Center - <i>Western Illinois</i>			
Department of Corrections, Correctional Industries			
Dept. of Corrections, IL Youth Center – <i>Chicago</i>			
Dept. of Corrections, IL Youth Center – <i>Harrisburg</i>			
Dept. of Corrections, IL Youth Center – <i>Joliet</i>			
Dept. of Corrections, IL Youth Center – <i>Murphysboro</i>			
Dept. of Corrections, IL Youth Center – <i>Pere Marquette</i>			
Dept. of Corrections, IL Youth Center – <i>St. Charles</i>			
Dept. of Corrections, IL Youth Center – <i>Valley View</i>			
Dept. of Corrections, IL Youth Center – <i>Warrenville</i>			
Department of Employment Security			
Department of Financial Institutions			
Department of Human Services			
Department of the Lottery			
Department of Military Affairs			
Department of Natural Resources			
Department of Public Aid			
Department of Revenue			
Department of State Police			
Department of Transportation			
Department of Veterans' Affairs - General Office			
Drycleaner Environmental Response Trust Fund Council			
East St. Louis Financial Advisory Authority			

FINANCIAL & COMPLIANCE AUDITS (Continued)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Eastern Illinois University			
Eastern Illinois University Alumni Association			
Eastern Illinois University Foundation			
Environmental Protection Agency			
General Assembly – Retirement System			
Governors State University			
Governors State University Alumni Association			
Governors State University Foundation			
Health Care Cost Containment Council			
Historic Preservation Agency			
Illinois Community College Board			
Illinois Community College System Foundation			
Illinois Conservation Foundation			
Illinois Development Finance Authority			
Illinois Farm Development Authority			
Illinois Health Facilities Authority			
Illinois Housing Development Authority			
Illinois Mathematics and Science Academy			
Illinois Mathematics and Science Academy Fund			
Illinois Medical District Commission			
Illinois Racing Board			
Illinois Rural Bond Bank			
Illinois State Board of Investment			
Illinois State Toll Highway Authority			
Illinois State University			
Illinois State University Foundation			
Illinois Student Assistance Commission			
Illinois Veterans' Home – Anna			
Illinois Veterans' Home – LaSalle			
Illinois Veterans' Home – Manteno			

FINANCIAL & COMPLIANCE AUDITS (Continued)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Illinois Veterans' Home – Quincy			
Illinois Violence Prevention Authority			
Industrial Commission – Self Insurer's Fund			
Joint Committee on Administrative Rules			
Judges Retirement System			
Judicial Inquiry Board			
Kankakee River Valley Area Airport Authority			
Law Enforcement Training Standards Board			
Legislative Information System			
Liquor Control Commission			
Northeastern Illinois University			
Northeastern Illinois University Foundation			
Northern Illinois University			
Northern Illinois University Alumni Association			
Northern Illinois University Foundation			
Office of Banks and Real Estate			
Petroleum Resources Board			
Pollution Control Board			
Prairie State 2000 Authority			
Prisoner Review Board			
Property Tax Appeal Board			
Secretary of State			
Sex Offender Management Board			
Southern IL University			
Southern IL University – Carbondale Alumni Association			
Southern IL University – Carbondale Foundation			
Southern IL University – Edwardsville Alumni Association			
Southern IL University – Edwardsville Foundation			
Southern IL University – Physicians & Surgeons, Inc.			
Southern IL University – University Park			

FINANCIAL & COMPLIANCE AUDITS (*Continued*)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Southwestern Illinois Development Authority			
State Appellate Defender			
State Board of Education			
State Employees' Retirement System			
State Fire Marshal			
State Police Merit Board			
State's Attorney's Appellate Prosecutor			
Statewide Single Audit			
Teachers' Retirement System			
Treasurer – College Savings Pool			
Treasurer – Fiscal Officer			
Treasurer – Illinois Funds			
Universities Retirement System			
University of Illinois			
University of Illinois Alumni Association			
University of Illinois Foundation			
University of Illinois – Chicago HMO			
University of Illinois – Prairieland Energy, Inc.			
University of Illinois – Wolcott, Wood & Taylor, Inc.			
Western Illinois University			
Western Illinois University Foundation			

INFORMATION SYSTEMS AUDITS

These audits are components of each agency's regularly scheduled financial and compliance audit for the period ending June 30, 2000.

<i>INFORMATION SYSTEMS AUDITS AUDITS INITIATED AND/OR COMPLETED IN FISCAL YEAR 2001</i>	
•	Chicago State University
•	Comptroller
•	Department on Aging
•	Department of Central Management Services
•	Department of Central Management Services - BCCS 3 rd Party Review
•	Department of Children and Family Services
•	Department of Corrections
•	Department of the Lottery
•	Department of Natural Resources
•	Department of Public Aid
•	Department of State Police
•	Department of Veteran Affairs – General Office
•	Environmental Protection Agency
•	Illinois Housing Development Authority
•	State Board of Education
•	Teachers' Retirement System

EMERGENCY PURCHASES

The Illinois Procurement Code requires agencies expending funds in an emergency to file an affidavit with the Auditor General within 10 days after the procurement, setting forth the amount expended, the name of the contractor, and the circumstances requiring the emergency purchase. The Auditor General, in turn, is required to file a quarterly report with the Commission and the Governor setting forth a complete listing of all emergency purchases reported during that quarter. The latest report is for the second quarter of Fiscal Year 2001 and it contains seventy-six filings with this Office.

CONTRACTUAL SERVICES CERTIFICATIONS

Pursuant to the requirements of the State Finance Act at 30 ILCS 105/15a, State agencies must file a certification with the Auditor General prior to the execution of any contract with a former employee who took an early retirement incentive. The certification must state that the former employee either possesses unique expertise or is essential to the operation of the agency.

During the second quarter of Fiscal Year 2001, the Auditor General did not receive any new certifications.

Copies of certifications received in previous quarters are on file in our Office.

CHICAGO AIRPORT LAWSUIT

Public Act 89-386 (the Amendment), which was signed into law in August of 1995, amended the Illinois State Auditing Act to require the Auditor General to conduct a management and compliance audit of the operation of Chicago's three airports-- O'Hare, Midway and Meigs. The Amendment specifically directs the audit to include an examination of the airports' revenues, expenses and transfers of funds; purchasing and contracting policies and practices; staffing levels; and hiring practices and procedures.

On September 9, 1996, my Office issued a subpoena to the City of Chicago to obtain certain routine documents, such as contracts, leases and operational policies and procedures, necessary to perform the audit. On that same day, the City of Chicago filed a lawsuit in Cook County Circuit Court seeking to enjoin me from carrying out the requirements of P.A. 89-386. My Office is represented in this lawsuit by the Attorney General's Office.

As I previously reported to you, on July 14 the Court entered an order denying the Auditor General's Motion for Summary Judgment and granting the City's cross-motion. Since that time, the Court has addressed post-judgment motions filed by each party and a final order has been entered.

The Circuit Court's final order states, in part:

The Court finds that the 1995 Amendment

impermissibly broadened the Auditor General's authority to conduct an audit unlimited in scope and thus, is unconstitutional. Because the Court finds the 1995 Amendment to the Statute invalid, the parties may appeal from this final judgment directly to the Illinois Supreme Court (*emphasis added*).

CHICAGO AIRPORT LAWSUIT *(Continued)*

As a result of the Circuit Court's holding that the 1995 Amendment passed by the General Assembly is unconstitutional, I am now in the process of appealing that decision directly to the Illinois Supreme Court. The timeframe for any resolution of the case at that level has not yet been established.

Yours truly,

WILLIAM G. HOLLAND
Auditor General